

NBAD Sukuk Income Fund

November 2015

FUND OBJECTIVE

The Fund aims to provide attractive levels of income with some prospect of capital gains over the medium term through actively investing in a mix of corporate and sovereign sukuk and other Islamic money market instruments, including but not limited to the following Islamic instruments: money market instruments, certificates of deposits, collateralised murabaha, convertible sukuk, murabaha deposits, ijarah and investments in other Islamic collective investment schemes (investment funds) with objectives that the Investment Manager believes are appropriate in light of the Fund's objectives.

PERFORMANCE

Period	Fund	3M EIBOR	Relative
1 Month	-1.35%	0.07%	-1.42%
3 Month	-0.28%	0.21%	-0.49%
1 Year	-1.39%	0.76%	-2.15%
Year to Date	-0.45%	0.70%	-1.14%

The performance is calculated based on the valuation point of 25-Nov-15

TOP 5 HOLDINGS

AL SHINDAGHA SUKUK LTD	9.46%
DIP SUKUK LTD	8.90%
MEDJOOOL LTD	8.80%
DAR AL-ARKAN SUKUK CO LT	7.44%
GARUDA ID GLOBAL SUKUK	6.28%

The above percentages are based on total asset of the Fund

MARKET COMMENTARY

One of the main focal points for financial markets during November was the December US Federal Reserve (Fed) meeting and the related potential rate hike. Economic data and market events over the last month have supported the case for a rate hike and it now seems almost inevitable. Whilst it would be an exaggeration to describe the global economy as strong, the growth fears of the summer have receded further in recent weeks, not least in China even if the mentioned 7% growth rate is baseless. Against this backdrop, the much anticipated first hike since June 2006 that will mark the beginning of a normalisation cycle should not have a profound impact onto financial markets. This initial hike is priced in by the market and the more important consideration is how the policy rates will evolve in 2016. In line with the market, we anticipate shallow and limited interest rate hikes in 2016 and 2017 to accommodate the modest growth and benign inflation outlook. However, we are on alert for reasons to expect more rate hikes.

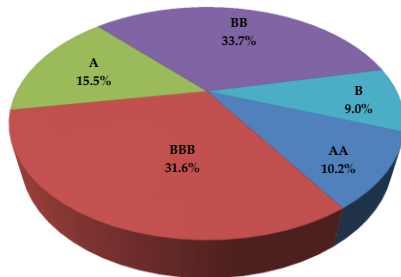
In Europe last week, the ECB last week delivered additional monetary easing measures but these disappointed the market's high expectations. Most importantly from a global perspective the subsequent euro rally dented the strength of the US dollar, thereby limiting some of the pressure that has impacted both commodity markets and emerging market assets. Notwithstanding this respite, slower and below trend global growth is resulting in ongoing weakness of commodity prices, notably oil. OPEC's early December meeting was preceded by some hopes of an agreement to decrease output to put a floor under the oil price. In the event and in stark contrast, an apparently difficult meeting resulted in no agreement that in practice removed any cap on production and the price for WTI continued falling below USD 40 per barrel.

For sukuk, the tepid global growth outlook, weak oil prices, increased evidence that governments are reducing spending, lower bank liquidity, coupled with supply pressures from the primary market impacted sukuk prices negatively. Having rallied in October, prices dropped again to test the recent lows by the end of November. It was particularly interesting to see the repricing of the financial sector. The negative impact was seen across countries and maturities but the Fund's positions in Saudi Arabian credits delivered the largest negative returns. With increasing budget deficits, and the consequent depletion of reserves, Oman, Saudi Arabia and Bahrain are more vulnerable to the decline in oil prices. We are therefore maintaining increased emphasis on credits based in the UAE, Kuwait and Qatar, which are sitting on ample cash reserves. During the month, we significantly reduced our existing positions in Saudi Arabia and we don't carry any position in Bahrain. Focusing on the Fund's positions, we decided to reduce our spread exposure further at the long end of the curve and higher beta debt in the UAE. We deployed this cash in some short tenor trade finance deals yielding around 4%. By doing so, we reduced the volatility of the fund, trade finance instruments being straight line amortizing instruments.

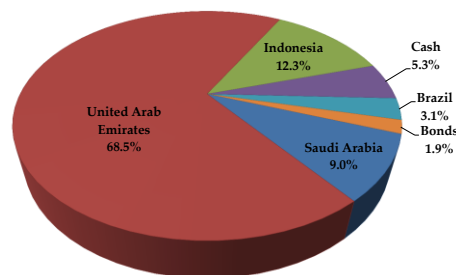
Amongst rating actions, Fitch joined the other agencies and revised Bahrain's outlook to negative from stable and affirmed its long term foreign currency issuer default rating at BBB-. Previously, Saudi Arabia's rating was downgraded by S&P from AA- to A+.

Despite market challenges, we would highlight the good level of profit rate offered by the Fund. Given the focus on the oil price and lower regional growth in recent months, we believe a lot of negatives are already factored into sukuk prices and we maintain a cautious stance focusing on issuers with strong cash generation capability and more manageable leverage ratios. At times of increased risk aversion, stronger credits are doing better in retaining their value. We also reduced credit duration during the month which should make the Fund more resilient against potential volatility as whilst a lot may be priced in, we would be surprised to see a strong uptick in the regional economies any time soon although the latest company surveys were encouraging.

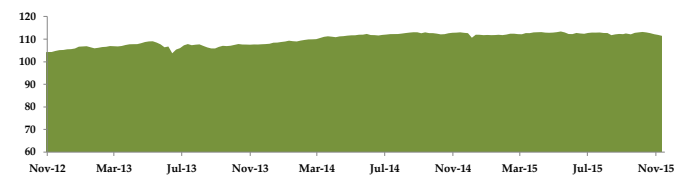
CREDIT RATING BREAKDOWN



COUNTRY ALLOCATION



GROWTH SINCE INCEPTION



FUND DETAILS

Fund Type	Open ended
Average Credit rating	BBB-
Average Yield to Maturity	4.35
Average Duration of constituents	3.72
Fund Size (million)	USD 31.57
Price	USD 4.80
Inception date	July, 2012
Currency :	USD
Minimum investment:	USD 500
Dealing Frequency:	Weekly
Bloomberg Ticker:	NBADSIF UH
ISIN	AEN000130023
Fund Charges:	Subscription fee: up to 2% Management fee: 1.00% p.a.
Investment Manager	NBAD Global Asset Management
Custodian	Deutsche Bank Securities and Services
Administrator	Deutsche Bank Securities and Services
Registrar	NBAD Securities and Fund Administration Services
Auditor	KPMG
Fund Legal Name	NBAD Sukuk Income Fund
Fund Manager:	Ian Clarke Ali Soner Guney, CFA Anne Anne De Terssac, CFA Ahoud Ali Obaid
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